

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

November 9, 2010

Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2011

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2012

LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2012

THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013

THOMAS CANDON, representing Commissioner of BISHCA

VAUGHN ALTEMUS, representing Commissioner of Education

JEB SPAULDING, VT State Treasurer

Members absent:

None

Also attending:

Cynthia Webster, Director of Retirement Policy and Outreach & Executive Secretary to the Board

Stephen Wisloski, Director of Investment and Debt Management

Michael Clasen, Director of Retirement Operations

Laurie Lanphear, Chief Retirement Specialist

Wendy Lee, Program Technician II

John Booth, Treasury Operations Director

Karl Kroner, Great West Retirement Services

Chip Sanville, Great West Retirement Services

Perry Christie, Great West Retirement Services – via telephone

Al Cunningham, Great West Retirement Service – via telephone

Jeff Fannon, VT-NEA

Gillian Staniforth

John Everitt

Nancy Stevenson-Lyon

Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Jon Harris, called the Tuesday, November 9, 2010, meeting to order at 8:59 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the minutes of:**

October 14, 2010

October 26, 2010

On motion by Mr. Mackey, seconded by Mr. McConnell, the Board unanimously voted to approve the minutes of October 14, 2010, as submitted.

On motion by Mr. Altemus, seconded by Mr. Candon, the Board unanimously voted to approve the minutes of October 26, 2010, as amended.

ITEM 2: Presentation by Great West Retirement Services

**403(b) quarterly update
Review of top three SRI Balanced Funds**

Mr. Kroner indicated Al and Perry would be calling in at 9:30 to discuss the SRI fund options. Mr. Kroner appeared before the Board and provided the Quarterly Report for September 30, 2010 for the 403(b) Investment Program. Mr. Kroner provided the plan overview. There was a discussion about the spike in Q2 and the large number of retirements this year. There was a discussion concerning what funds members are selecting and their continued interest in SRI funds. Mr. Kroner provided the administrative overview.

(Ms. Staniforth entered the meeting during this item.)

Mr. Sanville provided the Board members the field activity report. There was a discussion what additional marketing can be implemented. There was a discussion that the individual districts are the ones to decide if they offer dollar amounts or percentages for the contributions. There was a discussion members should be encouraged to increase their contribution rate when there is an increase in salary.

Mr. Kroner indicated he will work with Cynthia in order to have Advised Asset Group attend the February Board meeting. Mr. Kroner provided the fund performance review.

(Mr. Christie and Mr. Cunningham entered the meeting via telephone conference call at this time.)

Mr. Wisloski provided the Board members a review of previous discussions concerning adding a SRI fund to the line-up of funds. The Board reviewed the *SRI Balanced Funds Fund Performance Review as of September 30, 2010*. Mr. Wisloski explained how the performance of the funds are evaluated. Great West indicated they could not provide a SRI balanced fund. Mr. Wisloski indicated an alternative would be to add two funds to the line-up of funds instead of one balanced fund. The Board reviewed *VSTRS SRI Fund Alternatives Fund Performance Review as of September 30, 2010*. There was a discussion what SRI Funds the State provides in the 457 Plan. There was a discussion of a SRI balanced fund versus the SRI fund alternatives. There was a discussion how members can be informed which funds are SRI funds.

On motion by Mr. Spaulding, seconded by Mr. Mackey, the Board unanimously voted to add two funds, the Calvert Social Investment Equity and the PIMCO Total Return III, to the 403(b) fund line-up with the understanding Great West will make sure the members understand they are SRI funds.

Ms. Webster indicated she will work with Mr. Sanville in order to provide a story for the December newsletter indicating SRI funds will be added to the line-up in the next couple of months.

(Mr. Cunningham and Mr. Perry left the meeting at this time.)

ITEM 3: Single Deposit Investment Account updates

**SDIA quarterly report
SDIA new investment manager status**

Mr. Sanville appeared before the Board and provided the Quarterly Report for September 30, 2010 for the SDIA Plan. Mr. Sanville reviewed the plan results and the administrative overview for the SDIA Plan. There was a discussion about the future of the SDIA Plan.

(Mr. Fannon entered the meeting during this agenda item.)

Mr. Wisloski advised the Board ICMA-RC is on line to start. On November 30, 2010 the contract will terminate with Loomis and the Agnon wrapper. The other contract with Dwight and the Agnon wrapper will continue until August 31, 2011. Mr. Wisloski indicated there are discussions continuing with Dwight. Mr. Wisloski indicated the AG's Office suggested the Board adopt the Trust Agreement.

On motion by Mr. Spaulding, seconded by Mr. Mackey, the Board unanimously voted to adopt the *Resolution Adopting Declaration of Trust of Vantage Trust Company* as outlined in the email from Mr. Wisloski dated November 8, 2010.

Mr. Wisloski indicated at the February meeting he will have a recommendation as it relates to Dwight.

(Mr. Everitt and Ms. Stevenson-Lyon entered the meeting at this time. Mr. Wisloski left the meeting at this time.)

ITEM 4: Review/discuss BISHCA's memo relating to guaranteed income products

Mr. Candon reviewed the memo to the Members of the VSTRS Board dated November 9, 2010. After briefly responding to the questions posed in the memo dated November 9, 2010 Mr. Kroner advised the Board members he will send a formal response in writing. The Board discussed the next step relative to guaranteed income products. The consensus of the Board was to prepare an RFI next summer concerning the guaranteed income products and then have a presentation with two or three vendors at a joint meeting with the State Board for educational purposes.

Mr. Spaulding indicated there is a Roth 457 and inquired if there is a Roth 403(b) Plan. Mr. Sanville indicated the Roth 403(b) is out there, but that it is the district's option whether they offer it or not. Mr. Spaulding discussed with the Board members there has been interest from non-profits in a 403(b) Plan.

The consensus of the Board was to move Item #6 to Item #5 after the recess.

(Mr. Kroner and Mr. Sanville left the meeting at this time.)

(A recess was taken from 10:50 a.m. to 11:04 a.m.)

(Ms. Lanphear, Ms. Lee and Mr. Clasen entered the meeting at this time.)

ITEM 5: Discuss/act on following letters of appeal:

**John Everitt
Nancy Stevenson-Lyon
Gillian Staniforth**

Mr. Altemus reclused himself from the John Everitt appeal since he has worked with Mr. Everitt.

Mr. Everitt reviewed his reasoning for the appeal with the Board members. Mr. Everitt indicated the salary in question was a performance pay and not one of the three categories that would be excluded from salary according to the statute. Ms. Lee reviewed the procedure for reporting of earnable wages and the use of contracts. Ms. Webster indicated the reasoning behind the exclusion of this money. Mr. Everitt responded to the Board's questions concerning his appeal. Ms. Webster indicated she has contacted the AG's Office concerning this appeal, also. Mr. Harris indicated to Mr. Everitt there were two other appeals to be heard, and then the Board would go into Executive Session to discuss the appeals. Mr. Harris indicated Mr. Everitt will be notified of their decision by the end of the day or their need for further information.

(Mr. Everitt left the meeting at this time.)

Mr. Fannon provided the Board a review of Ms. Stevenson-Lyon's appeal. Mr. Fannon called the Board's attention to the contracts attached to the appeal. Mr. Fannon indicated Ms. Stevenon-Lyon was a Certified Athletic Trainer endorsed by The National Athletic Trainers Association. Ms. Webster indicated to be a member of VSTRS you need to be licensed by the State Board of Education and be in a position that requires a license. Ms. Stevenon-Lyon indicated after receiving her yearly annual statements she did not realize she was a member of VMERS. Mr. Spaulding indicated there were two issues here, whether Ms. Stevenson-Lyon was a member of VMERS or VSTRS and the waiver of the 90 day disability waiver. Mr. Fannon indicated they were just dealing with the VMERS or VSTRS member issue today. Mr. Harris indicated Mr. Fannon will be notified of their decision or the need for further information by the end of the day.

Mr. Fannon indicated he had just met Ms. Staniforth today and inquired whether a continuance would harm her appeal. The Board indicated there would be no problem with requesting a continuance. Ms. Webster indicated the next Board meeting would be in February. Ms. Staniforth requested a continuance until that time.

(Ms. Stevenon-Lyon, Mr. Fannon, and Ms. Staniforth left the meeting at this time.)

On motion by Mr. Mackey, the Board voted unanimously to enter Executive Session at 11:45 a.m. pursuant to Title 1, § 313 for the purpose of discussing the appeals and to receive information from legal counsel. Mr. Clasen, Ms. Lanphear, Ms. Lee and Ms. Deliduka were invited to enter Executive Session also.

The Board exited Executive Session at 12:10 p.m.

(Mr. Spaulding left the meeting at this time.)

On motion by Mr. Mackey, seconded by Mr. Candon, the Board voted to accept the appeal of John Everitt to include his performance bonuses in the AFC. Mr. Mackey, Mr. McConnell, Mr. Candon and Mr. Harris voted aye. Mr. Altemus abstained from the vote. Mr. Spaulding was not present for the vote. The motion passed.

(Mr. Spaulding entered the meeting at this time.)

On motion by Mr. Mackey, seconded by Mr. Altemus, the Board unanimously voted to deny the appeal of Nancy Stevenson-Lyon due to the fact the two criteria, the need for a Vermont DOE issued license and the need to occupy a position where a license was required, were not met.

(Ms. Lanphear, Ms. Lee and Mr. Clasen left the meeting at this time.)

(A luncheon recess was taken from 12:15 p.m. to 12:39 p.m.)

ITEM 6: Discuss/act on disability application waiver requests for:

**John Zanni
Elizabeth Pomeroy**

Ms. Webster provided information concerning Mr. Zanni's request for a disability application waiver. Ms. Webster indicated Mr. Zanni terminated in 2004. In 2006 Mr. Zanni requested estimates and made no mention of a disability at that time. Ms. Webster indicated there was no indication from Mr. Zanni that he left teaching due to his disability. The Board discussed the fact the Board could waive the 90-day rule if there was good cause shown. The consensus of the Board was to have Ms. Webster contact Mr. Zanni and inform him if he would like the Board to consider his 90-day waiver he would need to provide more information, and such information should include when he became disabled and who put him on a permanent disability and why when he requested estimates in 2006 he did not request disability retirement information.

Ms. Webster provided information concerning Ms. Pomeroy's request for a disability application waiver. Ms. Webster reviewed the communication from Ms. Lanphear to Ms. Pomeroy concerning a disability retirement. There was a discussion concerning the statute and who is eligible to apply for a disability retirement. There was a discussion whether Ms. Pomeroy met the criteria of the statute.

On motion by Mr. Spaulding, seconded by Mr. McConnell, the Board unanimously voted to approve the disability application waiver request of Elizabeth Pomeroy and to allow her to apply for a disability retirement.

ITEM 7: Review Christine Jenkins' letter of appeal and supporting documents

Ms. Webster advised the Board they have been advised by legal counsel that the Board has no authority to act upon this appeal. The consensus of the Board was to have Ms. Webster communicate this to Christine Jenkins.

(A recess was taken from 1:10 p.m. to 1:13 p.m.)

(Mr. Booth and Mr. Clasen entered the meeting at this time.)

ITEM 8: Miscellaneous items:

Report on attendance at NCTR annual conference
VPAS update
Review 2012 budget
Newsletter update and discussion
Policies and procedures
Election procedure for alternate member representative
Review/accept 2011 meeting schedule

Mr. McConnell indicated he was preparing his notes concerning the NCTR annual conference and would be providing them to the Board members shortly. Mr. Altemus indicated actuaries that he spoke to did not seem concerned about the 8% assumption rate. Mr. Altemus indicated some of the major topics were the new GASB possibilities and the SEC and New Jersey. Mr. Altemus indicated there was also optimism about the market. The Board discussed the need for the Board members to continue to be educated.

Mr. Clasen provided the Board members an update on VPAS. Mr. Clasen indicated the retiree portion was transitioned last November and was virtually problem-free. One area they are still working on is the reports to Cigna and BCBS. Mr. Clasen indicated at the end of this month they will do the final data conversion for the active side and will run parallel for a few months. Mr. Clasen indicated employer reporting will continue to use the current web base reporting and that information will be bridged until the reporting can be moved to PG. Mr. Clasen indicated after lengthy testing by the Retirement Specialists on estimates the hope is sometime in May that process will go to PG, with the Retirement Specialists also doing the estimates manually for a period of time after that until they reach a level of comfort. There was a discussion about being behind schedule, but under budget and the fact that LRS staff would continue to be available after going live.

Mr. Booth reviewed the *Fiscal Year 2012 Budget*. Mr. Booth responded to all questions posed by the Board members. Mr. Clasen responded to the questions posed by the Board members concerning the VPAS item. The Board discussed what items on the budget would

decrease once the VPAS project was completed. There was a discussion what the real cost is to run the VSTRS.

(Mr. Booth and Mr. Clasen left the meeting at this time.)

Ms. Webster provided the Board members with a memo concerning the cost of the printing and mailing of the newsletters. The Board discussed electronically providing the newsletters versus mailing a hard copy of the newsletters.

Ms. Webster indicated she will have a better update on the policies and procedures at the February meeting. Ms. Webster indicated she believes this item can possibly start in the spring after VPAS has gone live.

The Board discussed the alternate position and Ms. Terry Buehner. Ms. Webster reviewed the *Rules and Regulations of the Board of Trustees*. The Board discussed how the VSERS elects its members. The Board discussed how it would elect an alternate representative. The consensus of the Board was to have Ms. Webster indicate to Ms. Buehner the intention of the Board was to have an election in July for an alternate unless she wants to stay the alternate for another two years.

The Board discussed the draft 2011 meeting schedule.

On motion by Mr. McConnell, seconded by Mr. Spaulding, the Board unanimously voted to accept the 2011 meeting schedule as drafted.

ITEM 9: Any other business to come before the Board

None.

ITEM 10: Adjournment

On motion by Mr. Altemus, seconded by Mr. Candon, the Board unanimously voted to adjourn at 2:18 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a conference call on December 9, 2010, if needed.

Respectfully submitted,

Cynthia L. Webster
Executive Secretary to the Board